

Internal Revenue Service
Director, Exempt Organizations

Department of the Treasury
P.O. Box 2508 - EP/EO
Cincinnati, OH 45201

Date: JUL 26 2001

Employer Identification Number:
[REDACTED]

Person to Contact and ID#
[REDACTED]

Contact Telephone Numbers:

[REDACTED] Phone

[REDACTED] FAX

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(6) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code. However, we have concluded that you do not qualify under another subsection.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a Trust, or Form 1120 if you are a corporation or an unincorporated association.

You have agreed to this denial by your letter of May 15, 2001; however, you still have a 30-day period in which to reconsider this matter.

You have the right to protest this proposed determination if you believe it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

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If we do not hear from you within the time specified, this will become our final determination.

Sincerely,

Steven Miller

Director, Exempt Organizations

Enclosures: 2

CC: [REDACTED]

ENCLOSURE I

We have considered your application for exemption from federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were formed under an Articles of Incorporation on [REDACTED], to conduct cooperative advertising and promotion of the sales and services of [REDACTED] in the general [REDACTED] area. Your organization uses third party advertising agencies to place ads through newspapers, radios, and television for its two members.

Income to your organization is from membership dues. Expenses have been advertising cost and accounting fees.

IRC 501(c)(6) provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Regulation Section 1.501(c)(6)-1 reads, in part, as follows:

A business league is an association having some common business interest, the purpose of which is to promote such common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services of particular persons.

In Revenue Ruling 64-315, 1964-2 CB 147, an association of merchants whose business constituted a shopping center expended its funds and engaged exclusively in advertising in various newspapers and on television and radio in order to attract customers to the shopping center. The advertising contained the names of the member merchants, and their merchandises. The organization was not entitled to exemption under Section 501(c)(6) of Internal Revenue Code.

The only activity conducted by your organization is the advertising and promotion of the sales and services of [REDACTED] in the greater [REDACTED] area. The advertising expenditures constitute approximately [REDACTED] percent of the organization's expenses. The members of your organization are [REDACTED] and [REDACTED]. Your organization has done the advertising through newspapers, radio and television by using an advertising agency. All of your advertisement contains the names of these [REDACTED] members and their merchandises.

Advertising which carries the names of members generally constitutes the performance of particular services for members. Thus, the organization mentioned in Revenue Ruling 64-315 was denied exemption

under Section 501(c)(6).

It appears that your organization's activity constitutes the performance of particular services for members rather than an activity directed to the improvement of business conditions of one or more lines of business generally as required by the applicable regulations.

Based on the information provides, we have concluded that you do not qualify tax-exempt status as an organization described in section 501(c)(6) of the Code, because you have not meet all legal requirements.

Tax Court, the Court of Claims, or the District Court of the United States of the District of Columbia determines that the organization involved has exhausted all administrative remedies available to it within the Internal Revenue Service."